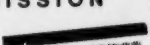
SECURITIES AND EXCHANGE COMMISSION

Washington D. C. 20549



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Q-34756

FORM 10 - Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

H 92-2254

For the quarter year ended	Commission File Number
March 31, 1992	0 - 17294

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EMBRACE SYSTEMS CORPORATION

(Exact name of registrant as specified in its charter)

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PROCESSED BY
MAY 22 1992

Delaware	87-0416844
State or other Jurisdiction	I.R.S. Employer Identification No.

Microfilmed by
Q-Data Corp. - St. Petersburg, FL

1 Embrace Park Rd Angola, New York	14006
(Address of principal executive offices)	(Zip Code)

(716) 549-6401

(Registrant's telephone number, including area code)

Haben Industries, Inc.
14725 Arminta Street
Van Nuys, California 91402

(Former name, former address if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No ___

At May 14, 1992, 11,471,375 shares of common stock, $.001 par value, of the Registrant were issued and outstanding.

EMBRACE SYSTEMS CORPORATION

(FORMERLY HABEN INDUSTRIES, INC.)

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

Item 2. Management's Discussion

EMBRACE SYSTEMS CORPORATION
(FORMERLY HABEN INDUSTRIES, INC.)
AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET
(Unaudited)

	March 31, 1992	January 1, 1992
ASSETS		
Current Assets:		
Cash in Bank	$ 6,854	$ 2,774
Accounts Receivable	60,914	45,147
Inventory	96,600	96,600
Total Current:	164,368	144,521
Fixed Assets:	17,063,109	17,063,109
Other Assets:		
License Agreement	1	1
Other Assets	28,398	28,398
Intangible Assets (net)	3,764	3,240
Total Other:	32,163	31,639
Total Assets:	$ 17,259,650	$ 17,239,279
LIABILITIES & STOCKHOLDERS' EQUITY		
Current Liabilities:		
Current Portion, L - T Debt	$ 5,854,803	$ 5,854,803
Accounts Payable	1,406,093	1,472,980
Accrued Expenses	1,857,007	1,726,975
Total Current Liabilities	3,263,100	3,199,955
Long Term Liabilities	151,832	151,823
Total Liabilities	$ 3,414,923	$ 3,351,778
Minority Interest in Consolidated Subsidiary	3,596,626	3,640,446
Stockholders' Equity:		
Preferred Stock, 25,000,000 authorized, $.001 par value, 3,626,384 shares issued	3,626	3,626
Common Stock, 7,500,000 shares authorized, $.001 par value, 4,506,875 shares issued (note 3)	4,507	3,307
Capital in Excess of par value	15,450,231	14,851,431
Retained Earnings (Loss)	(11,064,448)	(10,596,948)
Total Stockholders' Equity	4,393,917	4,392,870
Total Liabilities & Equity:	$ 17,259,650	$ 17,239,279

EMBRACE SYSTEMS CORPORATION
(FORMERLY HABEN INDUSTRIES, INC.)
AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF OPERATIONS
(Unaudited)

	Three Months Ended	
	March 31, 1992	March 31, 1991
Revenues:		
Sales	$ 16,724	$ 197,304
Miscellaneous Revenue	-0-	-0-
Total Revenues	16,724	197,304
Costs and Expenses		
Cost of Sales	$ 1,298	$ 104,936
General and Administrative	541,435	178,002
Depreciation	-0-	1,222
Amortization	-0-	3,239
Interest Expenses	116,764	155,479
Bad Debts	-0-	-0-
Total Costs and Expenses	$ 659,497	$ 442,878
Net Income (Loss) Before Minority Interest	$ (642,773)	$ (245,574)
Minority Interest In Earnings of Subsidiary	(43,819)	(60,379)
Net Income (Loss)	$ (598,954)	$ (185,195)
Net Loss Per Common Share After Minority Interest	$ (0.153)	$ (0.056)
Average Number of common shares outstanding (Note 3)	3,906,875	3,306,875

See accompanying notes to Consolidated Financial Statements.

EMBRACE SYSTEMS CORPORATION
(FORMERLY HABEN INDUSTRIES, INC.)
AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)

	Three Months Ended	
	March 31, 1992	March 31, 1991
Cash Flows from Operating Activities:		
Net loss	$ (598,954)	$ (185,195)
Adjustments to Reconcile Net loss to net cash provided By operating activites:		
Depreciation and Amortization	-0-	4,092
Decrease in Minority Interest	(43,820)	(60,379)
Changes in Assets and Liabilities:		
Increase in Accounts Receivable	$ (15,767)	$ (7,890)
Decrease in Prepaid Expenses	-0-	1,714
Increase in Intangible Assets	(524)	(4,253)
Increase in Other Assets	-0-	18,185
Decrease in Accounts Payable	(66,887)	71
Increase in Accrued Expenses	130,032	191,955
Increase in Notes Payable	-0-	28,408
Net Cash (used in) provided by operating activities	$ (595,920)	$ (13,292)
Cash flows from Investing Activities:	-0-	-0-
Cash flows from Financing Activities:		
Increase in Common Stock	1,200	16
Increase in Premium on Common Stock	598,800	1,484
Net Cash provided by financing activities	$ 600,000	$ 1,500
Increase (Decrease) in cash	4,080	(11,792)
Cash at Beginning of Period	2,774	21,664
Cash at End of Period	$ 6,854	$ 9,872

... Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Basis of Presentation

The accompanying Consolidated Statement of Financial Positions as of March 31, 1992, the Consolidated Statement of Operations and the Consolidated Statement of Cash Flows for the three month periods ended March 31, 1992 and 1992 are unaudited, but in the opinion of management include all adjustments necessary for a fair presentation of the financial position and the results of operations for the periods presented. Prior period's statement has been reclassified to conform to current year's presentation.

Note 2. Earning Per Share

Net loss per share is computed based upon the weighted average number of shares outstanding of 3,906,875 and 3,306,875 for the three-month periods ended March 31, 1992 and 1991, respectively. Per share amounts presented in the financial statements do not give effect to the one for five reverse split discussed below because such split did not occur until after the quarter ended.

Note 3. Recapitalization and Name Change

On April 29, 1992, the Company effected a one for five reverse stock split of its then issued and outstanding common stock. This reverse split resulted in a total of 946,375 shares of common stock, $.001 par value, outstanding immediately prior to the acquisition of Embrace Technology Systems, Inc. Immediately subsequent to the acquisition and presently, the Company has 11,471,375 shares of common stock, $.001 par value, issued and outstanding.

After allowance for the shares of common stock reserved for issuance to the shareholders of C G & T Corporation and those reserved for issuance upon conversion and/or exercise of presently outstanding convertible securities and warrants, the Company will have a total of 12,520,175 shares of common stock, $.001 par value, outstanding.

Note 4. Stockholders' Equity

During the quarter ending March 31, 1992, the Company's stockholders' equity increased by $600,000 through the issuance of additional shares of common stock in exchange for accrued expenses and other items.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

Immediately after the end of the quarter ended March 31, 1991, the Company announced the acquisition of Embrace Technology Systems, Inc., a major restructuring of its capital structure and a change in its corporate name and business focus. Reference is made to the Company's reports filed on Forms 8 and 8-K during April and May, 1992 and the discussion below should be evaluated in conjunction with these reports.

For the quarter ending March 31, 1992, the Company reported revenues of 16,724, compared with revenues of $197,304 for the quarter ending March 31, 1992. This decline in revenues represented a decrease of 91.5% and was attributable to poor sales due to general economic conditions and, of greater significance, the Company's critical lack of working capital. This severely affected the Company's ability to obtain raw materials to market its cross linkable polyethylene resins. Also during the quarter, the Company's oil terminal and refinery located in Wilmington, North Carolina was non-operational for similar reasons.

Reflecting the decrease in revenues, the cost of sales in the first quarter of 1992 was $1,298, compared with $104,936 in the comparable 1991 quarter, a decrease of 98.8%. As reported in the Company's Annual Report on Form 10-K for the year ended December 31, 1991, the Company has reduced its sales activity in the cross linkable resins to a per pound royalty and processing charge.

The Company's general and administrative expenses increased significantly during the quarter ending March, 1991; these expenses were $541,435, compared with $178,002 in the 1991 quarter, an increase of 204.1%. This change reflected the increased legal and administrative expenses involved in preparing for the acquisition of Embrace Technology Systems, Inc. and the related restructuring noted above.

For the quarter ending March, 1992, the Company reported a loss of $598,954 (after allowing for the minority interest in the loss of the Company's C G & T Corporation subsidiary), compared with a loss of $185,195 for the comparable 1991 quarter (also after allowing for a comparable loss attributable to the minority interest). This loss represents an increase of 223.4%. The per share loss for the quarter ending March, 1992 was $.153, compared to a loss of $.056 for the quarter ending March, 1991, an increase in the per share loss of 173.2%. The smaller percentage increase in the per share loss compared to the total

loss was caused by the increase in the average number of common shares outstanding

Liquidity and Capital Resources

For the quarter, the Company continue to experience a severe shortage of adequate working capital and was actively engaged in raising additional capital and pursuing other options. This activity culminated with the acquisition of Embrace Technology Systems, Inc., noted above.

Also as reported previously, the Company's majority owned subsidiary is in default on its secured debt obligation to Pace Oil Company, a lender that holds a $5,500,000 first mortgage on its refinery located in the City of Wilmington, North Carolina on the Cape Fear River. In addition to the principal amount of the Note, the subsidiary is in arrears in accrued interest on the note in an amount in excess of $1,400,000. As reported previously, the Company has reached a preliminary understanding with Pace Oil that calls for the exchange of the Note, together with all accrued interest thereon, for a new issue of Preferred Stock with a stated value of $7,000,000, together with other consideration.

During thw quarter, the Company's Board of Directors authorized the private sales of up to $250,000 of Convertible Notes with common stock purchase warrants attached. As of the end of April, 1992, this financing was completed with a limited number of qualified investors.

The Company intends to finance its future activities from funds generated from operations and future additions of capital. It is presently engaged in integrating its operations with those of its new subsidiary, Embrace Technology Systems, Inc. and preparing for the acquisition of the remaining portion of C G & T Corporation that it does not presently own.

Because of the major refocusing of its business activities as a result of Embrace Technology's organic fibrous insulation product, "Puffibre", it is not possible to adequately forecast the immediate capital requirements of the Company, except to note that they are expected to be substantial. The Company is presently reviewing its present and proposed activities and is engaged in a number of financing and joint venture discussions. No assurance can be given that any of these planning activities or negotiations will lead to any successful conclusion or outcome that will prove beneficial.

PART II. OTHER INFORMATION

PART II. OTHER INFORMATION

Item 1. Not applicable

Item 2. Changes in Securities

(a). On April 3, 1992, the Company's Board of Directors and a majority of shareholders approved a one-for-five reverse stock split of all of its outstanding common shares, $.001 par value. There was no change in the par value of the common stock as a reverse of this split and the split was effected on April 29, 1992 on a pro rata basis for all stockholders and warrantholders except that fractional shares and warrants will not be issued but instead will be redeemed for cash.

(b). Not applicable.

Item 3. Not applicable

Item 4. Submissions of Matters to a Vote of Security Holders

The reverse stock split described in Item (2) was effected by a written consent of the holders of a majority of the Company's issued and outstanding securities entitled to vote thereon. The written consent was executed by shareholders of approximately 80.6% of the total outstanding votes of all issued and outstanding classes (common and preferred) of the Company at the time.

Item 5. Other Information

Reference is made to the Company's Reports on Form 8-K filed on April 29, 1992 and May 11, 1992.

Item 6. Exhibits and Reports on Form 8-K

(a). Reports on Form 8-K

The following reports on Form 8-K were filed during the quarter ended March 31, 1992:

Date of Filing	Item Reported
January 29, 1992	Item 3

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: May 15, 1992

EMBRACE SYSTEMS CORPORATION

By: /s/ J. Donald Lail

J. Donald Lail, Chief Financial and Accounting Officer